

Speech at the opening of the China-Africa economic & trade expo. Hunan, China

Thursday 27th June 2019
President Museveni

Vice Premier, H.E. Hu Chunhua;

Vice Minister of Commerce, Mr. Qian Kamin;

Secretary of Hunan Provincial Party Committee, Mr. Du Jia Hao;

Governor Xu Dazhe;

Other State dignitaries;

Distinguished guests;

Ladies and gentlemen.

I salute you all to this gathering where we are, yet again, discussing how to continue building stronger ties between Africa and the Peoples' Republic of China. Under the auspices of the Forum for China-Africa Cooperation (FOCAC), China has been working on strengthening ties with Africa. During the 2018 Beijing Summit and the 7th Ministerial Conference on FOCAC, China put forward eight major initiatives which were agreeable to Africa and these are:

- Industrial promotion;
- Infrastructure connectivity;
- Trade facilitation;
- Green development;
- Capacity building;
- Health care;
- People-to-people exchange;
- Peace and security.

Under the Industrial promotion initiative, it was agreed that China would open a China-Africa Economic and Trade Expo to be held in the Peoples' Republic of China. I am glad that today, we are here opening the first China-Africa Trade Expo in Changsha, Hunan Province of China. I am also happy to note that Uganda was chosen to be the Guest Country of Honour at this first Expo. I thank His Excellency Xi Jinping for this very friendly gesture.

The participation of African countries, standing at at-least 53 countries and approximately 1,500 foreign guests, demonstrates the seriousness with which we, from the African continent, hold our relations with the Peoples' Republic of China.

Africa-China relations date back to the mid-1950s with the first Asia-Africa Conference, the Bandung Conference, under the auspices of the Non-Aligned Movement. Egypt was the first African country to establish diplomatic relations with China in 1956 but by the end of the 1970s, 44 of the 50 independent African States had entered diplomatic relations with China. During this period, China also sent ten

thousand engineers, doctors and technicians to provide assistance for African development and undertook various infrastructure projects, notably the 1,860-kilometer long Tanzania-Zambia railway. Therefore, China's involvement in the development of inter-country infrastructure in Africa is not new; and it would not be difficult for us to scale it up for accelerated Africa's development.

This first China-Africa Trade Expo could not have been held at a better time than now – when we have a shared vision for the prosperity of our peoples. We all appreciate that industrial development and free trade amongst ourselves will foster faster growth for our mutual benefit.

I greet all the friends and the exhibitors. The First China Africa Economic and Trade Expo has been organized by the Ministry of Commerce of China and the Peoples' Government of Hunan Province in order to implement part of the eight initiatives proposed at the Beijing summit on the Forum on China-Africa Cooperation Framework held in September, 2018.

Karl Marx, in 1848, pointed out that Society had gone through 5 social systems: primitive communalism, the slave state, feudalism, capitalism and socialism. The first three were old systems that were irrational and under-utilized or misused the factors of production: land (natural resources), labour, capital and entrepreneurship.

It was, initially, capitalism that, for instance, distilled the importance of specialization and exchange as efficient techniques of producing wealth and creating jobs. Adam Smith pointed out that specialization made the producer more efficient than the primitive man that tried to be a jack of all trades and a master of none. Additionally, capitalism also distilled the importance of profit as a measure of appropriate reward for human effort. Comparing profit margins guided an entrepreneur as to which enterprise he should go for. Profit itself meant that maximum care had to be taken to minimize costs.

Moreover, mass production of products also spread the fixed costs over a big quantity, thereby, making the product cheaper and, therefore, more competitive but yet still profitable. Both capitalism and socialism understood these points: specialization, exchange and profitability. Socialism, however, added the element of central planning to ameliorate the possible anarchy of a myriad of micro-economic actors only pursuing private profitability without regard to macro-economic factors.

The anarchy of micro-economic actors without a glance at the macro-economic framework, caused the disequilibrium of 1929 that led to the depression of the 1930s in the capitalist system. That crisis showed the economists the potential crisis when a disequilibrium develops between excessive products without commensurate demand.

Hence, the importance of both domestic demand in each country and the wisdom of promoting and not impeding equitable international trade. Domestic demand was boosted by the West European countries introducing welfare programmes that would give free money to out-of-jobs citizens so that they could, at least, buy what is produced. Maynard Keynes pointed out that it is even better if an unemployed person was made to dig a hole and, then, fill it again but be paid for that futile "job" for, at least, it would lubricate the system by boosting the purchasing power of the society.

Equitable trade is, therefore, a *sine qua non* for global prosperity. Enhancing the purchasing power of all the global citizens is, therefore, a must for those who understand what will create greater trade potential and, therefore, prosperity for more people.

When China was transitioning from poverty to "moderate prosperity", all of us benefitted. The price of steel went from US\$200 to US\$900 per tonne; that of copper went from US\$ 538 to US\$1539 per tonne; and cement prices had upward movement as well.

Therefore, without a big market, prosperity is not possible. China, indeed, tried to develop depending only on her huge internal market. She found that she was not developing at the required speed. The internal market was not enough in spite of having the biggest population at that time. She needed a huge internal

market to bargain with the others in terms of reciprocation but also needed the external market to enhance faster growth.

We salute the far-sighted Chinese leaders who opened up the economy of China, since 1978, which has resulted into a meteoric rise of China to become the second biggest economy in the world; it is now a super power. With this enhanced capacity, the Chinese government and Chinese companies have not wasted time in coming to the support of Africa.

When you look at Africa-China trade figures, you get strong rays of hope despite the trade deficit that Africa still experiences *vis a vis* China. This Forum should, *among others*, enable us to devise ways of turning these rays of hope into a reality. Between 2016 and 2018, Africa's exports to China increased from US\$ 36.88 billion to US\$ 73.1 billion and the trade deficit declined from US\$40.63 billion to US\$20.1 billion over the same period. What is more interesting is the fact that the narrowing of the trade deficit is not merely on account of declining imports (as these have grown from US\$ 75.5 billion to US\$94.2 billion over the same period) but rather, import substitution supported, in part, by Chinese companies. Some of the companies are being funded by the Chinese Government to establish industries in Africa. This is, therefore, not just a historical relationship of solidarity but a relationship that is mutually beneficial. We are supporting each other's prosperity and those efforts should be intensified.

China Government has supported Africa to tackle the strategic bottleneck of infrastructure such as inter-connectivity and energy, especially for manufacturing.

Despite the seemingly impressive growth of Africa's exports to China, the continent remains a very insignificant market player in China, accounting for 2.3%, 2.8% and 3.4% of the Chinese market share in 2016, 2017 and 2018 respectively. The more disturbing factor is that these exports from Africa are, mainly, raw materials, especially Oil and Gas and Minerals. In this, we export jobs and wealth to China. This trend must be reversed and I implore all African countries to work towards exporting processed goods. On the other hand, China's market share in Africa stood at 17.2% in 2018. This is a wake-up call to all of us that we need to do more to enable Africa export more to China

It is intriguing to note that even though we have a nominal market share in China, the country remains a big market for Africa's exports; absorbing 22.7%, 18.6% and 19.8% in 2016, 2017 and 2018 respectively. This implies that we are not producing enough as a continent compared to what just the Chinese market demands. Therefore, any measures aimed at increasing Africa-China trade must, as a matter of priority, equally address the production and productivity question.

Besides Expos, such as this one, which are good for showcasing the goods and services we produce to potential customers and consumers, our partnership should enable us to address the following:

- **Transport infrastructure:** This is essential for movement of raw materials to production areas and conveying finished products to markets/consumption areas. Besides the roads, we must aim at interconnecting Africa within itself, Africa with China and Africa with the rest of the world using mainly the railway and air transport, as well as water transport. The impact of this will be a significant reduction of the cost of doing business and the time saved in the transportation process. The African continent that is inter-connected with itself and the rest of the world is as good to China as it is for itself given the high number of Chinese investments on the continent. The more Africans produce and sell, the more they become affluent and buy more from China and vice-versa.
- **Energy:** This is the biggest enabler of industrial development as well as advanced agricultural production. We are trying as Uganda in this area, with increased generation and transmission of electricity and the dividends are encouraging. As a continent, together with our Chinese friends, we need to redouble our efforts on availing energy for production. A focus on green energy technologies would be ideal for sustainable development.
- **Cost of financing:** The cost of financing remains very high in most African countries and this inhibits private sector participation in the development initiatives on the continent. Chinese businesses and investors would surely find it easier to penetrate and operate in Africa if they were able to find ready and capable business partners. With many African companies falling short largely due to financing constraints orchestrated by the high cost of financing, this remains far from

the reality. Therefore, we need to strongly consider having Chinese banks established in Africa, as well as allow African Entrepreneurs access funds from those Chinese banks but when the interest rates are affordable. This will be real support to affluence in Africa. The African Governments can also deliberately address this problem using our own resources. In Uganda, we are using Uganda Development Bank (UDB) to address this gap. It is a wholly Government owned Bank.

- **Human capital development:** Human capital is perhaps one of the most important factors of production. Human beings can turn around anything provided they have the skills and knowledge. Human beings will build the infrastructure and industrial production bases and maintain them if they have the skills. Human capital drives innovation and innovation is a key driver of industrial development. We have lagged behind in innovation in Africa. According to the Global Innovation Index 2018, the People's Republic of China is ranked 17th while the highest ranked African Country (South Africa) is ranked 58th. Uganda is also ranked in an uncomfortable 103rd position out of the 126 countries ranked. It is embarrassing to note that out of the bottom ten ranked countries, eight are from Africa – the other two being Bolivia and Yemen.

Our Expo is premised on the theme; “**Win-Win Cooperation for Closer China-Africa Economic and Trade Cooperation**” and it is imperative that we live to this theme as we seek to address these strategic bottlenecks.

A developing and developed Africa is good for itself as well as its partners such as China. As the old Chinese saying goes; “*If you give a man fish, he will have a single meal. If you teach him how to fish, he will eat fish all his life*”. Our Chinese friends who are more advanced than us need to continue working with us so that we learn how to fish and can thus eat fish all our life. This will be a true win-win partnership and will certainly be mutually beneficial.

The human race has been here for the last 4 million years as homo-sapien sapiens (the wise man). It is a waste of time trying to be purist in perception and ego-centric. In the end, as the materialists pointed out long ago, there is always a thesis, an anti-thesis and a synthesis. The debate about free-trade vs protectionism is simply taking humanity back. Common sense should by now have shown everybody that what is needed is equitable trade based on the dynamic concept of comparative advantage. The dynamic concept of comparative advantage is as opposed to the static concept of comparative advantage based on historical distortions such as the inherited bottlenecks Africa still faces – no or little electricity, no cost effective transport infrastructure etc. Once this unlevelled playing field is levelled, then equitable trade should be encouraged based on comparative advantage and not shunned. To discourage trade means: protecting inefficient local producers; under mining global prosperity by re-fragmenting the World market into protection zones; and punishing the citizens by forcing them to depend on more expensive local products and, possibly, of poorer quality. If not so, why can't those products compete on merit so that consumers are the sovereign force?

Lifting the prosperity of the African and the Latin American peoples by investments and the creation of jobs automatically translates into enhancing the purchasing power of the African population. Even if the GDP per capita of Africa was to rise to US\$ 8,000, that would create an African economy that would be US\$10.4 trillion. Hence, the purchasing power of Africa would be bigger than the present US\$6,906 trillion. It is, therefore, important for the World leaders and the business actors to know that empowering the present under-consuming populations of Africa and Latin America is in the interests of everybody. Global affluence is not a threat to anybody. It is, instead, an advantage to everyone. In 1986, the per capita consumption of milk in Uganda was 18 litres per annum. It is now 60 litres per annum. The World Health Organization (WHO) advises 210 litres per capita per annum. There is, therefore, still a gap in the consumption patterns of Ugandans as far as milk is concerned. This under-consumption does not only affect the economy but also health. Milk is important for proteins for body building and calcium for teeth, bones, etc. The under-consumption of milk is repeated throughout the whole spectrum of products: steel, textile, etc. A more affluent Africa, a more affluent Latin America, a more affluent Asia are good for global business. The good thing is that Africa is not just sitting down without action. By 1980, our leaders had realized the dangers of a continued fragmented market of Africa. Through the Lagos Plan of Action, our leaders started the process of integrating the African market. Today, we have the East African Community (EAC), the Common Market for East, Central and Southern Africa (COMESA), the Southern Africa Development Cooperation (SADC) and the Economic Community of West African States (ECOWAS). In 1991, with the Abuja Treaty, we decided to form the Common Market of the whole of Africa. Recently, we re-invigorated

the Abuja Treaty by forming the Continental Free Trade Area (CFTA). Therefore, on the issue of market integration, Africa is on the right track.

I thank you all for listening to me and wish you very fruitful deliberations and business engagements during this First China-Africa Economic and Trade Expo.

I now have the honour of declaring the First China-Africa Economic and Trade Expo open.

I thank you all.